



June 20, 2023

To Whom It May Concern:

I am assisting Hillary MacDonald & Earl Warner with the financing of the proposed purchase of Wikan Enterprises, Inc. Due to the fact that the building that houses Wikan Enterprises, Inc. is on land leased from the borough, the structure of a Commercial Loan associated with a Real Estate purchase changes from a Commercial Real Estate loan, to a leasehold improvement and commercial equipment & inventory loan. It is considered a leasehold improvement, rather than real property.

Typically, banks are inclined to lend only a percentage of this value. In leasehold improvement scenarios where no real estate is involved, it is common for buyers to need to provide a 25% down payment for most commercial loans of this nature, with loan terms being much shorter than those of real estate loans, making the payments much higher.

Commercial Real Estate loans, depending on the loan program, may have a down payment as low as 5-10%. Commercial Real Estate loans can often offer longer loan terms making the monthly payments much lower.

The tax assessed value of the leasehold improvements associated with Wikan Enterprises Inc. is \$115,700. To substantiate the transaction's value, a bank would likely need to order a commercial real estate appraisal (or in this case leasehold improvement valuation) which can be quite expensive, or conduct an in-house valuation based on the specific circumstances. While it is possible for an appraisal to yield a slightly higher value than the tax assessment, it may not yield much higher, and would require the use of several comparable sales of a similar nature to establish the value solely for the improvements. Generally, an acceptable appraisal relies on 4-5 comparable properties for value substantiation, which may be hard to come by in the region. It is important to note that broker's opinions of value do not suffice, as they do not meet appraisal standards.

Additionally, when appraising an improvement on leased land, appraisers often take into account the adverse impact of the remaining lease term on the value. As the lease term shortens and approaches expiration, it tends to limit the potential sale price due to the exclusion of the land. Conversely, when the land is included in the transaction, the value is often higher, allowing the seller to demand a higher price that buyers may be willing to pay. Appraisers appropriately factor in this higher value. Real estate and building transactions offer a wider range of market and finance options compared to leasehold improvements alone.

It is worth noting that even programs such as the Small Business Administration (SBA) and the U.S. Department of Agriculture (USDA) have limitations when leasehold improvements are involved without any real estate. And these loan programs are quite appealing to a buyer trying to obtain financing for the purchase of a business of this nature.

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To Whom It May Concern

In closing, it would be much easier for a commercial lender, myself included, to approach this financing if it were associated with real property vs leasehold improvements. I can be available to answer any questions that might arise in this process. Please don't hesitate to contact me anytime.

Sincerely,



David Byrne
Vice President
Commercial Loan Officer
Juneau Financial Center
907-790-5143

ANCHOR PROPERTIES

Angela Menish
Licensed Real Estate Agent
Anchor Properties
PO Box 2060
Petersburg, AK 99833

June 8, 2023

Petersburg Alaska Borough Assembly
PO Box 329
Petersburg, AK 99833

Dear members of the Borough Assembly,

I hope this letter finds you in good health and high spirits. I am writing to bring to your attention an urgent matter concerning the sale of Wikan Enterprises, a vital business in our community.

As a licensed real estate agent with Anchor Properties, I have had the privilege of representing my clients, John and Sheri Wikan, throughout the process of listing their esteemed diesel mechanic repair, sales, and service business. Wikan Enterprises has been the exclusive local dealership for Detroit Diesel, MTU, and Volvo Penta since its establishment in 1992.

The services provided by Wikan Enterprises are crucial to the fishing industry in Petersburg and the surrounding southeast Alaska communities. Fishing vessels heavily rely on the expertise and support offered by Wikan Enterprises to ensure their engines are in optimal condition, maximizing their fishing seasons. The potential impact of not selling the business in its entirety could have devastating consequences for these fishermen and their livelihoods. Petersburg Borough would also be adversely affected with loss of revenue stream from the absence of this business.

While there have been expressions of interest from two other parties, namely a federal agency and a refrigeration business, it is important to highlight that their interest has primarily centered around acquiring the building alone, rather than the entire business. To maintain the seamless provision of services

and preserve the legacy established by John and Sheri Wikan, it is crucial that the business is sold as a whole.

Fortunately, there is a couple who has demonstrated a sincere interest in acquiring the business and carrying it forward in its current form. They possess the necessary experience, dedication, and passion to ensure the continuation of the exceptional services provided by Wikan Enterprises. It is imperative that we prioritize their offer to maintain the level of service our community relies upon.

John and Sheri Wikan have been transparent from the beginning of the listing process, making it abundantly clear that their foremost priority is to ensure the availability of the services their business offers to the community. Their dedication to the community and their customers is admirable, and it is crucial that we honor their wishes throughout the negotiation process.

I kindly request your support in emphasizing the importance of selling Wikan Enterprises as a whole to potential buyers. By doing so, we can safeguard the essential services provided to the fishing community of Petersburg, Alaska, and surrounding areas.

Thank you for your attention to this matter. I look forward to discussing further details and collaborating to secure the best outcome for our clients, the community, and the continued success of Wikan Enterprises.

Sincerely,

A handwritten signature in black ink, appearing to read 'Angela Menish', written in a cursive style.

Angela Menish
Licensed Real Estate Agent
Alaska License #: 206037
Anchor Properties

Debra Thompson

From: Glorianne Wollen
Sent: Wednesday, June 21, 2023 3:36 PM
To: Debra Thompson; Chris Cotta; Karl Hagerman; Liz Cabrera
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

Thanks Debbie.

Harbormaster I am not in favor of starting the trend of selling leased property unless there are substantial strings attached, strings that are probably not legal and 20 yrs from now no one will remember. We need to secure that this is property will be used for Marine Services. We have lost considerable ground in support of the original concept of a marine industrial park with Bus Depot, a mechanic garage and a coffee stand all have been oked by a sympathetic City Council. I also expect that this would upset the present applecourt in regards to every other lease that the Borough has with business/private.

Thanks, glo

From: Debra Thompson <dthompson@petersburgak.gov>
Sent: Wednesday, June 21, 2023 2:52 PM
To: Glorianne Wollen <gwollen@petersburgak.gov>; Chris Cotta <ccotta@petersburgak.gov>; Karl Hagerman <khagerman@petersburgak.gov>; Liz Cabrera <lcabrera@petersburgak.gov>
Subject: Wikan Enterprises Application to Purchase Borough Property

Dear Glo, Chris, Karl & Liz

John and Sheri Wikan are applying to purchase the land where their business is located (parcel #01-010-037) that they currently lease from the Borough. The Wikans are retiring and trying to sell the business to Earl Warner and Hillary Whitethorn. Earl and Hillary can get much better interest rates from the bank if the land the business is on is not leased land.

Anyway, please respond to this email with your comments as to whether any of your departments have a need for the subject parcel as soon as you can.

Thank you,
Debbie

Debra K. Thompson, CMC
Borough Clerk/Human Resources Director

Petersburg Borough
907-772-5405

Debra Thompson

From: Chris Cotta
Sent: Wednesday, June 21, 2023 3:51 PM
To: Glorianne Wollen; Debra Thompson; Karl Hagerman; Liz Cabrera
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

I agree with Glo's comments and feel this proposed sale starts us down a slippery slope with other Borough leases. Also I seem to recall that at least one other entity (USFS) expressed some interest in acquiring parcel #01-010-037 if it were available for sale.

That being said, Public Works does not have any need for the parcel in question. Thanks,

Chris

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Debra K. Thompson, CMC
Borough Clerk/Human Resources Director

Petersburg Borough
907-772-5405



Debra Thompson

From: Liz Cabrera
Sent: Wednesday, June 21, 2023 4:31 PM
To: Chris Cotta; Glorianne Wollen; Debra Thompson; Karl Hagerman
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

Community Development has no public use for the parcel.

Just in case the question is asked, the borough has no mechanism to address the issue raised by Glo, i.e. restricting use to marine services in this area, through its existing zoning code.

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Debra K. Thompson, CMC
Borough Clerk/Human Resources Director

Petersburg Borough
907-772-5405



Debra Thompson

From: Karl Hagerman
Sent: Thursday, June 29, 2023 2:46 PM
To: Debra Thompson; Glorianne Wollen; Chris Cotta; Liz Cabrera
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

Water, Sewer and Power utilities have no need for this subject parcel.

Karl Hagerman
Utility Director
907-772-5421

From: Debra Thompson <dthompson@petersburgak.gov>
Sent: Wednesday, June 21, 2023 2:52 PM
To: Glorianne Wollen <gwollen@petersburgak.gov>; Chris Cotta <ccotta@petersburgak.gov>; Karl Hagerman <khagerman@petersburgak.gov>; Liz Cabrera <lcabrera@petersburgak.gov>
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